

Message Text

PAGE 01 JAKART 00002 040813Z

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ACTION EA-14

INFO OCT-01 ISO-00 AID-20 CIAE-00 EB-11 FRB-02 INR-10

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08 CEA-02 PA-04

PRS-01 USIA-15 L-03 DOTE-00 OC-06 CCO-00 AGR-20 DRC-01

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R 040630Z JUN 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 2641

AMCONSUL MEDAN

AMCONSUL SURABAYA

USDOC WASHDC

UNCLAS SECTION 1 OF 2 JAKARTA 6801

E.O. 11652: N/A

TAGS: BEXP, ID, BMED

SUBJ: COUNTRY COMMERCIAL PROGRAM FOR INDONESIA

REF: A) STATE 128397, JUNE 29, 1973

B) STATE 098588

C) JAKARTA 8464, 1973

1. EMBASSY APPRECIATES CHALLENGE AND OPPORTUNITY PRESENTED BY INDONESIA BEING DESIGNATED CCP COUNTRY. IT WILL BE HOPEFULLY UNDERSTOOD THAT RECEIPT OF REF B ON MAY 14 WITH MAY 20 DEADLINE FOR REPLY DID NOT PROVIDE SUFFICIENT TIME FOR THOROUGH ANALYSIS AND DETAILED PRESENTATION. WE REGRET OUR LATENESS.

2. EMBASSY VIEWS INITIAL CCP YEAR AS ONE IN WHICH CCP PROVIDES OPPORTUNITY TO RATIONALIZE RESOURCES WHILE AT SAME TIME REALISTICALLY SEEKING INITIAL RECAPTURE PETRO DOLLARS. FORMAT BELOW IN ACCORDANCE UNCLASSIFIED

PAGE 02 JAKART 00002 040813Z

WITH PARA 5 REF B UPDATES OBJECTIVES AND ACTION COURSES SET FORTH REF C, FOLLOWED BY STATEMENT OF CURRENT AND PROPOSED FUNCTIONAL ASSIGNMENTS.

3. EMBASSY BELIEVES HIGHEST U.S. EXPORT PAYOFF CAN BE ACHIEVED BY CONCENTRATING ITS E/CM EFFORTS ON MAJOR PROJECTS NOW UNDERWAY OR PLANNED FOR FUTURE IN INDONESIA. THESE PROJECTS INVOLVE DOLLAR VALUES WHICH DWARF OTHER POSSIBLE EXPORT OPPORTUNITIES IN THIS STILL DEVELOPING COUNTRY AND A LIMITED NUMBER DECISION MAKERS. GOVERNED THEREFORE BY THE CRITERION OF MAXIMIZING INCREMENTAL U.S. EXPORT DOLLAR SALES, WE HAVE SET OUT BELOW THREE OBJECTIVES WHICH ARE BUILT SOLELY AROUND MAJOR PROJECTS STRATEGY. BECAUSE THIS APPROACH IS EXPERIMENTAL IT WILL BE DIFFICULT TO ESTIMATE PAYOFF DOLLAR FIGURES UNTIL WE HAVE MORE EXPERIENCE WITH IT. NEVERTHELESS, WE ARE CONVINCED THAT THE PAYOFF WILL MORE THAN JUSTIFY THE APPROACH, AND WE HAVE MADE ROUGH GUESSES AT WHAT THESE PAYOFF BENEFITS MIGHT BE.

4. OBJECTIVE I: LAUNCH AGGRESSIVE PROGRAM TO SECURE MINIMUM 25-0/0 MARKET SHARE OF FOREIGN EXCHANGE PROCUREMENT FOR INVESTMENT PROJECTS, ALREADY PLANNED OR COMMITTED. TOTAL VALUE OF SUCH PROJECTS IS ESTIMATED TO BE \$8 BILLION DURING NEXT FIVE YEARS. PROJECT SECTORS AND THEIR EXPECTED VALUES; MINERALS - \$1 1/2-PLUS BILLION; LNG - \$1 1/2-PLUS BILLION; PETROLEUM EXPLORATION & DEVELOPMENT - \$2 1/2-PLUS BILLION; FERTILIZER - \$550-PLUS MILLION; PETRO-CHEMICALS - \$1 BILLION; STEEL - \$700 MILLION; CEMENT - \$200-PLUS MILLION. ASSUMING ROUGHLY 50-0/0 OF PROJECTS VALUE WILL BE FOREIGN EXCHANGE PROCUREMENTS, 25-0/0 MARKET SHARE FOR THE U.S. WOULD EQUAL \$1 BILLION OVER NEXT FIVE YEARS. ACTIONS: (1) COMPLETE QUICK EVALUATION AND PRIORITY RANKING OF ABOVE PROJECTS INDICATING WHERE U.S. EXPORT OPPORTUNITIES APPEAR GREATEST. (2) COMMUNICATE PRIORITIES TO COMMERCE MEPD TO DETERMINE EXTENT TO WHICH U.S. INDUSTRY ABLE TO MEET SUPPLY REQUIREMENTS WITHIN TIME AND UNCLASSIFIED

PAGE 03 JAKART 00002 040813Z

COMPETITIVE CONDITIONS REQUIRED IN LIGHT U.S. SUPPLY BOTTLENECKS. RESULTS OF ACTION 2, WILL PROVIDE PRIORITY SECTORS WITH SPECIFIC MANAGEABLE EXPORT TARGETS FOR FY1975. (3) PREPARE SECTORAL ACTION PROGRAMS, WORKING WITH LOCAL PROJECT MANAGERS, UTILIZING SUCH TECHNIQUES AS: (A) EXHIBITS/SEMINARS IN U.S. ORGANIZED BY MEPD, TO GIVE U.S. HEADQUARTERS OF MAJOR PROJECT INVESTORS MAXIMUM OPPORTUNITIES TO WORK OUT NEEDS WITH U.S. SUPPLIERS. (B) PROJECT REPORTS FOR LOCAL AND REGIONAL AGENTS OF U.S. COMPANIES WHO CAN COMPETE TO SUPPLY PROJECTS IN EACH SECTOR. (C) SPECIAL TECHNICAL SEMINARS, CATALOGUE SHOWS AND EXHIBITS IN INDONESIA (D) CONTRACT FOR

SPECIAL MARKET SURVEY. (4) PREPARE FINANCING STRATEGY BASED ON EXTENT TO WHICH EXIM AND OTHER US FINANCING APPEARS CRITICAL TO EFFECTIVE PROMOTION EFFORT. (5) MAINTAIN MISSIONWIDE PROGRAM TO SEEK GOI REASONABLE POLICY IMPLEMENTATION OF ITS INDONESIANISATION DRIVE ESPECIALLY IN TERMS OF ESTABLISHING A DIALOGUE WITH FOREIGN AND DOMESTIC INVESTORS AND TRADERS.

5. OBJECTIVE II: CAPTURE MINIMUM 25-0/0 SHARE OF IMPORT REQUIREMENTS FOR PROJECTS IN SECTORS TO WHICH INDONESIA PLANS COMMIT HER GREATLY INCREASED RUPIAH AND FOREIGN EXCHANGE REVENUES AND CONCESSIONARY FOREIGN ECONOMIC ASSISTANCE DURING SECOND FIVE YEAR DEVELOPMENT PROGRAM (1974-78). (MAJOR BUT STILL UNDEFINED INVESTMENTS WILL BE MADE IN TRANSPORTATION, TELECOMMUNICATIONS, BATAM ISLAND, WOOD PROCESSING, SUGAR, HOUSING, ELECTRICAL POWER, ETC.). ACTIONS (1): DRAWING ON E/CM SECTION AND USAID RESOURCES, PREPARE IN-DEPTH ANALYSIS OF COMMERCIAL IMPLICATIONS FOR U.S. OF REPELITA II (INDONESIA'S SECOND FIVE YEAR ECONOMIC DEVELOPMENT PLAN, 1974-1978) (2) ESTABLISH PRIORITY LIST OF KEY SECTORS, AND SELECT TWO SECTORS FOR PRIMARY EMBASSY PROGRAMMING IN FY1975. (3) DEVELOP CLOSE AND REGULAR LIAISON WITH RESIDENT IBRD MISSION AND BAPPENAS (NATIONAL PLANNING BOARD) TO ASSURE EARLIEST AND MAXIMUM U.S. TRADE OPPORTUNITIES AND RESPONSIVENESS TO PROJECTS FINANCED BY IBRD, IDA, ADB AND OTHER UNTIED AID DONORS. UNCLASSIFIED

PAGE 04 JAKART 00002 040813Z

(4) DRAWING ON PREVIOUS EXPERIENCE WITH MEPD/EMBASSY ORGANIZED STEEL AND FERTILIZER SURVEY VISITS, PLAN AND EXECUTE CREATIVE PROGRAMS TO FOLLOW-UP IDENTIFIED MAJOR PROJECTS OPPORTUNITIES. (5) RECOGNIZING THAT COUNTRIES WHICH HELP FINANCE PROJECTS ARE IN BEST POSITION TO BENEFIT FROM EXPORT EARNINGS, EMBASSY WILL DEVELOP FINANCING STRATEGY, INCLUDING EXIM BANK PARTICIPATION AND U.S. COMPANY INVESTMENT.

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